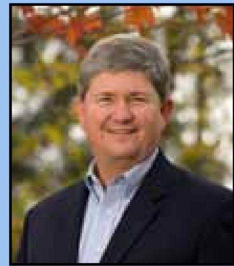
Letter from the President and CEO



Economic news over the past several months has been mixed at best, and yet the Environmental Protection Agency (EPA) continues to advance an agenda of stifling regulations that will send electricity costs skyward and drive more U.S. jobs overseas.

One of the most onerous proposals is the Maximum Achievable Control Standard, which would set maximum standards for permissible levels of emissions by coal-fired power plants. The goal is to remove 95 percent of certain materials from power-plant emissions, and Santee Cooper already has environmental control technology in place that removes on average up to 93 percent of those emissions.

In short, this rule could cost our customers hundreds of millions of dollars in upgrades for a negligible improvement in emissions control. Even worse, it could force Santee Cooper to close units at Jefferies and Grainger generating stations, representing nearly 10 percent of our total generation.

Another EPA proposal would classify ash and other combustion byproducts as "hazardous," a label that is unwarranted and would likely end a successful recycling program for Santee Cooper. Our synthetic gypsum actually brought wallboard maker American Gypsum to Georgetown County, where they recently built a plant and are repurposing that gypsum. If the EPA declares those byproducts "hazardous," Santee Cooper would need to landfill the ash and gypsum in hazardous waste landfills, which would require either lengthy permitting or costly transporting of the material.

These are just two examples of the havoc EPA could be wreaking. Fortunately, opposition is mounting. The Wall Street Journal recently criticized EPA for writing destructive rules that jeopardize electrical grid reliability and noted the agency is even finding critics within the Obama administration. In Congress, the House has passed legislation to throw out the Cross-State Air Pollution Rule, delay others and create an inter-agency committee that would review EPA's most costly proposed regulations.

For our part, Santee Cooper continues to educate key stakeholders on how these proposed rules will burden our customers and state. Our focus is on delivering low-cost and reliable power and water to our customers in an environmentally friendly manner. These proposed regulations make this focus more difficult and more burdensome for our customers.

Lonnie N. Carter

santee cooper®
Post Office Box 2946101
Moncks Corner, S.C. 29461-2901

www.santeecooper.com
(843) 761-8000

Printed on recycled paper.

For the Benefit of All

Quarterly Financial Report
for period ended September 30, 2011

Executive Summary

Third Quarter 2011
Compared to 2010

The financial results for the third quarter of 2011 showed an increase of $7 million in reinvested earnings compared to the same period last year.

Electric revenue for the third quarter was about the same as this period in 2010. Energy sales shifted between customer classes with a slight net decrease overall.

Operating Expense for the third quarter of 2011 was up compared to the third quarter of last year primarily due to generation related expenses. These included an unplanned outage at Rainey, increased purchased power from the addition of renewable energy sources, and higher chemical costs.

Other Income increased nearly $2 million when compared to the third quarter of last year due to the interest subsidy accrual for the Build America Bonds (BABs) issued in December 2010. In addition, this quarter saw a $200 thousand rise in the Fair Value of Investments.

Interest Charges were down $5 million compared to last year with interest on long term debt associated with future nuclear construction being the biggest contributor. The construction interest (on Santee Cooper's ownership portion of V.C. Summer units 2 & 3 expected to be sold) is carried in Other Deferred Debits.

There was a $12 million change in Costs to be Recovered from Future Revenue expense. The variance was due in part to updated debt schedules and to 2010 being the final year of amortization for the 1990 change in CTBR methodology.

Overall, Reinvested Earnings for the third quarter showed an increase when compared to the same period last year as a result of these factors.

Key Statistical Highlights

	This Year	Last Year
	Current Quarter	
Total MWh Sales	7,899,134	8,062,375
Number of Degree Days	1,346	1,352
	For Month Ended September, 2011	
Distribution Reliability % (YTD)	99.9978	99.9976
Number of Retail Customers	164,928	163,961

Quarterly Statement of Reinvested Earnings

Millions of Dollars (Unaudited)

	Current Quarter Jul 1 - Sep 30		12 Months to Date Oct 1 - Sep 30	
	This Year	Last Year	This Year	Last Year
Operating Revenue	$556.2	$556.3	$1,932.4	$1,858.4
O&M Expense	379.9	368.6	1,388.2	1,287.5
Depreciation & Sums in Lieu of Taxes	47.7	46.9	189.4	188.3
Operating Expense	427.6	415.5	1,577.6	1,475.8
Operating Income	$128.6	$140.8	$354.8	$382.6
Add:				
Other Income	3.2	1.2	10.3	6.2
Net Increase (Decrease) in Fair Value of Investments	(0.9)	(1.1)	(3.0)	(6.1)
Subtract:				
Interest Charges	56.0	61.1	230.1	245.0
Costs To Be Recovered From Future Revenue	(5.6)	6.5	7.3	18.3
Reinvested Earnings	$80.5	$73.3	$124.7	$119.4

Balance Sheet

As of September 2011 and 2010

Millions of Dollars (Unaudited)

Assets	This Year	Last Year
Utility Plant - Net	$5,072.5	$4,998.3
Long Lived Assets - ARO - Net	(13.9)	(14.3)
Investment in Associated Co.	9.4	10.4
Restricted Funds	694.3	497.3
General Improvement Funds	4.6	21.2
Cash & Securities	313.1	303.7
Other Current Assets	1,193.2	930.2
Costs To Be Recovered From Future Revenue	204.3	211.6
Regulatory Asset	171.9	171.0
Other Deferred Debits	419.7	345.6
Total Assets	$8,069.1	$7,475.0
Liabilities		
Long Term Debt - Net	$4,995.2	$4,374.2
Short Term Debt	439.0	546.3
Other Current Liabilities	293.6	300.5
ARO Liability	343.7	328.6
Other Liabilities	114.7	148.1
Accumulated Reinvested Earnings and Capital Contributions	1,882.9	1,777.3
Total Liabilities and Capital	$8,069.1	$7,475.0

Quarterly Headlines

Rate review begins

The Santee Cooper Board of Directors has authorized management to study the utility's current electric rates and determine whether the rates will support future expenses, particularly environmental compliance costs and construction of the planned new nuclear units at the V.C. Summer Nuclear Station.

The study is expected to take several months, with management scheduled to report its recommendations at the board's May 2012 meeting. If management recommends adjusting Santee Cooper's electric rates, the board could then authorize a public comment period of several months and ultimately vote on new proposed rates in the third quarter of 2012.

Santee Cooper last adjusted its electric rates in 2009. It was the utility's first increase in 13 years.

Refunding bond sales net savings to customers

Successful refunding bond sales in August and September are helping Santee Cooper continue to achieve savings for customers that offset cost increases the utility is incurring in key business areas, including new regulatory requirements and fuel and transportation costs.

Both sales received strong ratings of AA from Fitch, AA- from Standard & Poor's and Aa3 from Moody's. In August, the Santee Cooper board approved a $288,515,000 refunding bond sale with present value savings of $22.6 million. The bonds were issued to redeem portions of Santee Cooper's 2002 Series D and 2004 Series A bonds. In September, the board approved a $135,855,000 refunding bond sale with present value savings of $7.7 million, and those bonds were issued to redeem portions of the utility's 2002 Series B and 2007 Series A bonds.

Ritter named treasurer

Suzanne Ritter was named treasurer of Santee Cooper on Sept. 26 amid a handful of organizational changes made to streamline the operation and finance departments. Ritter also remains Santee Cooper's vice president of corporate planning. She has served Santee Cooper for 18 years and has served as director of customer billing, group leader of corporate analysis and pricing, and financial analyst. She is a CPA and holds a bachelor's degree in business from the College of Charleston.

Jeff Armfield has transferred to vice president of fuels strategy and supply. This new position will lead the strategy, procurement and management efforts of all of Santee Cooper's fuel sources. Armfield has been employed with Santee Cooper for 28 years and previously served as vice president and treasurer. He is a CPA and earned his bachelor's degree in business and his M.B.A. from The Citadel.

Santee Cooper launches Storm Center

In September, Santee Cooper launched Storm Center, an outage resource that provides timely information to customers and other key audiences. This interactive feature updates outage information every 15 minutes and is available on Santee Cooper's website and its mobile friendly website.

Using Storm Center, customers can now also report outages via the Web or their smart phones. To access Storm Center from the Web or your smart phone, visit www.santeecooper.com/stormcenter.

Like us on Facebook: www.facebook.com/santeecooper

Cover photo by Jim Huff